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SUBJECT: CHAVEZ ANNOUNCES ALBA LEADERS WILL AGREE TO LAUNCH
THE SUCRE, A REGIONAL COMPENSATION MECHANISM

REF: 2008 CARACAS 1661

¶1. (U) President Chavez claimed on April 16 that leaders of the Bolivarian Alternative for the Peoples of Our America (ALBA) would approve an agreement to establish a "unitary regional compensation system" called the Sucre during their April 16 summit. His announcement builds on a proposal contained in the November 2008 ALBA declaration (ref A). Details of the agreement, if indeed there is one, have not been published. A Venezuelan Ministry of Finance (MoF) press release described the Sucre as being composed of a regional monetary council, a currency (or counting) unit called the Sucre, a central compensation chamber, and a fund of reserves and "commercial convergence." According to press reports, President Chavez said the Sucre would be functional as of January 1, 2010, with pilot projects launched in September ¶2009. He described the Sucre as a "virtual currency," suggesting that as of January 2010 countries belonging to the system could conduct trade based on Sucre equivalents. According to the MoF, the ultimate goal would be the establishment of a "common monetary zone" encompassing all of Latin America and the Caribbean. The current agreement appears to encompass Ecuador and all ALBA countries except Dominica (i.e., Venezuela, Cuba, Bolivia, Nicaragua, and Honduras).

¶2. (SBU) Comment: The Sucre fits the geopolitical vision and rhetoric of President Chavez and some of his allies but is unlikely to be of economic significance in the near future. Chavez's announcement of the Sucre's "birth" is designed to give ALBA leaders momentum going into the Summit of the Americas, promoting a vision of regional economic development independent of the United States and the dollar. Exactly what if anything the Sucre will turn out to be, however, remains unclear. In the future will Venezuela claim to be sending Cuba 10,000 Sucres worth of oil in return for 10,000 Sucres worth of medical services? If the near-term purpose of the Sucre is to act as this type of "virtual currency" for trade purposes, it is plausible but economically meaningless. Developing a true currency union would of course be economically significant but seems highly implausible in the near term from an economic and political standpoint, given the geographical separation and economic and monetary differences between the countries involved. End comment.
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